



## **VA's Indian Health Service/Tribal Health Program Reimbursement Agreements Program - Pharmacy Reimbursement Rate for the Lower 48 States**

**AGENCY:** Department of Veterans Affairs.

**ACTION:** Notice of Tribal Consultation Session.

**SUMMARY:** VA, Veterans Health Administration (VHA) will facilitate a tribal consultation regarding VA's Indian Health Service/Tribal Health Program (IHS/THP) Reimbursement Agreements Program. VA is seeking input on adopting a pharmacy reimbursement rate for the lower 48 states.

**DATES:** Comments must be received by VA on or before July 5, 2021.

**ADDRESSES:** Comments may be submitted to [tribalgovernmentconsultation@va.gov](mailto:tribalgovernmentconsultation@va.gov) or by mail at Department of Veterans Affairs, Suite 915L, 810 Vermont Avenue, NW, Washington, DC 20420.

**FOR FURTHER INFORMATION CONTACT:** Kara Hawthorne, IHS/THP Program Manager, VA Office of Community Care, at [Tribal.Agreements@va.gov](mailto:Tribal.Agreements@va.gov), or by telephone at 303-780-4826. (This is not a toll-free number.)

**SUPPLEMENTARY INFORMATION:** Utilizing the authorities found in 25 U.S.C.

1645(c), Sharing Arrangements with Federal Agencies, and 38 U.S.C. 8153, Sharing of Health-Care Resources, VA, IHS and Tribal health care providers have created the IHS/THP Reimbursement Agreements Program. This program provides a means for IHS and THP health facilities to receive reimbursement from VA for direct care services, including pharmaceuticals, provided to eligible American Indian/Alaska Native (AI/AN) Veterans. Currently, reimbursement agreements under this program state that VA will reimburse “actual costs” for pharmaceuticals. In implementing this requirement, VA has realized that this term, “actual costs,” may be ambiguous and has led to difficulties in administering the agreements in compliance with applicable laws. VA is considering replacing the term “actual cost” with a more recognizable and easily calculated rate. Selecting an industry standard pharmaceutical rate structure would benefit IHS/THP sites by making it easier to understand and predict the reimbursement rate by eliminating the need to calculate actual cost.

VA is proposing two distinct pharmacy payment rates for IHS and THP facilities. For IHS facilities, VA has collaborated with IHS to use the Federal Supply Schedule (FSS) or other established contract vehicles (i.e., joint national drug contracts) pharmaceutical pricing as the proposed reimbursement rate, as most of their pharmaceuticals are purchased using the FSS contract or other contract vehicles. The FSS contract and other contract vehicles are collectively referred to as the FSS rate. For those pharmaceuticals not available on FSS, or non-contracted drugs, claims will be paid based on the adopted rate that is agreed upon with THPs.

For THP facilities, VA is suggesting using one of two industry-standard pharmacy reimbursement methodologies. These proposed methodologies are: (1) Wholesale

Acquisition Cost (WAC) plus dispensing fee and (2) Average Wholesale Price (AWP), minus discount, plus dispensing fee.

This written tribal consultation is seeking input on the preferred pharmacy reimbursement rate from the options above. VA suggests the following questions for response:

- (1) For the rates for THP facilities, what is your preferred methodology, WAC plus dispensing fee, or (2) AWP, minus discount, plus dispensing fee.
- (2) For the rates for THP facilities, if you identify AWP as the preferred method, what would you propose as the AWP discount percent rate for generic drugs and name brand/specialty drugs? How did you calculate or determine the proposed discount percent rate?
- (3) For THP dispensing fee, VA proposes to adopt an amount in line with industry standard, which is generally less than \$1.00 per drug, to be applied to either selected rates (WAC or AWP). Do you agree with \$1.00 per drug for a dispensing fee? If not, what do you propose the dispensing fee should be? How did you calculate or determine the proposed dispensing fee?
- (4) Do you have any comments on pharmacy reimbursement rates for IHS facilities and/or the related claims submission and reimbursement process?

Signing Authority:

Denis McDonough, Secretary of Veterans Affairs, approved this document on May 26, 2021, and authorized the undersigned to sign and submit the document to the Office of the Federal Register for publication electronically as an official document of the Department of Veterans Affairs.

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